

ORIGINAL

OPEN MEETING ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

66NF

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

2008 SEP 17 A 9:18

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
INVESTIGATION OF THE SOUTHWEST
GAS INCIDENT THAT OCCURRED AT
2710 W. BELL ROAD, PHOENIX,
ARIZONA, ON SEPTEMBER 28, 2007.

DOCKET NO. G-01551A-08-0255

NOTICE OF FILING

Staff of the Arizona Corporation Commission hereby provides notice of filing the Staff
Memorandum in the above-referenced matter.

Nancy L. Scott

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Arizona Corporation Commission
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The original and thirteen (13) copies
of the foregoing were filed this
16th day of September, 2008 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed this
16th day of September, 2008 to:

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Arizona Corporation Commission

DOCKETED

SEP 17 2008

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[Signature]

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. MCNEIL
Executive Director

DAVID RABER
Director, Safety Division

ARIZONA CORPORATION COMMISSION

Staff Memorandum

To: THE COMMISSION

DOCKET NO. G-1551A-08-0255

From: Safety Division

Date: September 12, 2008

RE: REPORT ON THE STATUS OF THE INVESTIGATION OF THE INCIDENT
OCCURRING AT 2710 W. BELL ROAD IN PHOENIX, ARIZONA ON SEPTEMBER
28, 2007.

Background

1. On Friday, September 28, 2007, a Southwest Gas Company (Southwest) Dispatch employee received a call from the Phoenix Fire Department (PFD) regarding a fire at an outdoor retail mall at 2710 West Bell Road in Phoenix, Arizona. A Southwest Customer Service Technician established command upon his arrival at the property. An APS Troublemaker who arrived on scene prior to the arrival of Southwest's first responder personnel, informed the Southwest employee that a fire occurred in an electrical cabinet, that it had been extinguished, and that the PFD had already arrived and departed from the scene. The Southwest employee conducted an underground leak investigation. He found gas reads in the storm drain, in the conduit within the electrical cabinet, and at the foundations of suites 18 and 19 of the retail mall that exceeded 40% Lower Explosive Level (LEL). Based upon the amount and extent of exterior gas concentrations being found to be limited to suites 18 and 19, the measurement of 0% LEL gas concentrations in the rear entrance doorway to suite 18, and the absence of any smell of gas within that suite, the Southwest employee limited the extent of the areas that required evacuation to suites 18 and 19. The Southwest employee understood these two suites to be vacant based on statements made to him by facility management and observations made by him. There were no underground gas concentrations found at the foundation of the Cinema (suite 17). The nearest gas concentration found was behind suite 18, approximately 80 feet away from the Cinema. The Southwest employee did not request PFD and/or police involvement because he determined that their assistance was not required to gain access to, or to evacuate the affected vacant premises. (A map and photographs depicting this area are attached hereto as Attachment 1).

2. At no time did the Southwest employee enter or conduct an interior leak investigation beyond the open doorway of suite 18. In addition, at no time did the Southwest employee conduct an interior investigation of any adjoining premises that shared a common fire wall with the evacuated or secured premises, even though at least one of those premises (the Cinema) was occupied. Southwest currently trains its employees to consider such interior investigations in determining the extent of an evacuation, but it does not mandate that its employees conduct such interior investigations.

3. A Southwest construction crew responded to the incident, and discovered and repaired a leak on the gas service line to suite 18. Efforts to remove residual gas from the area continued through the weekend and were completed on Monday morning, October 1. Fortunately, there were no injuries, fatalities or significant property damage as a result of this incident.

4. On Monday, October 1, the Southwest Superintendent/Customer Service determined through review of incident documentation and investigation, that the ACC was not notified about the incident, as required. A notification was made shortly thereafter.

5. Once notified, Staff made arrangements with Southwest personnel to meet at the location where the fire occurred for the purpose of gathering facts necessary to conduct an investigation into the circumstances surrounding the incident.

6. During this investigation, it was determined that gas had escaped from a leaking one inch plastic Polyethylene (PE) service line into an electrical conduit which terminated inside an electrical panel servicing the business located in suite 18 of the building located at 2710 West Bell Road, Phoenix. The business served by the electrical panel was a restaurant that was under renovation at the time of the incident.

7. There are multiple individual business suites located in this building. Directly adjacent to the north of suite 18 is a large vacant retail space (suite 19) and directly adjacent to the south is a multi-screen discount movie theater (the Cinema or suite 17). Each suite is separated from the adjoining suite by a common fire wall. There is no other physical separation between the suites in this building.

8. The gas in the electrical conduit ignited, resulting in a small fire confined to the electrical conduit and electrical box. This fire was extinguished by the PFD who notified Southwest dispatch prior to leaving the scene of the fire.

9. Gas readings taken at the rear entrance doorway of suite 18 were 0% LEL. Gas readings at the foundation of suite 18 and 19 (in excess of 40% LEL) significantly exceeded safe levels for entry by Southwest personnel, and posed a potential risk of an explosion/fire that could have resulted in injury and/or death to Southwest personnel and to any persons in the adjacent suites and/or property damage to the building. Southwest personnel failed to request that the PFD return to assist in determining whether explosive levels of gas existed inside the building or to notify the PFD of the potential risk of an explosion and/or fire.

10. Southwest claims that suites 18 and 19 were in fact the only suites affected by this leak. Southwest further claims that its procedures allow for the partial evacuation of large buildings. Southwest determined there was no need to conduct an interior leak investigation or to initiate an evacuation of those persons who may have been inside of the adjacent suite 17, which shares the same common firewall with suite 18. Staff claims this is inconsistent with other similar incidents when Southwest personnel have evacuated entire buildings with fire walls based on the gas readings at a single location of the building.

11. Staff asserts that the suite directly affected by the gas leak was in fact only one of many suites associated with this incident, all of which constitute one building. Although each suite is separated by a fire wall, all share a common foundation and poured concrete flooring.

Additionally, each fire wall in part supports the roof of the adjacent suite. In the event of an explosion, any collapse of one fire wall would directly impact the adjacent suite. Staff further asserts that, at a minimum, interior leak investigations should have been performed in the adjacent suites in order to determine whether those adjacent suites required evacuation.

12. Staff issued its first set of data requests to Southwest on November 2, 2007, and Southwest responded on November 13, 2007. Subsequent to the response, representatives from Southwest and the Commission Staff then met or held discussions several times to review the incident and data request responses. Following these meetings, on January 28, 2008, Staff issued a written Notice of Probable Non-Compliance Items to Southwest, which articulated all areas of Staff concern. This written notice addressed the following items:

- Southwest personnel failed to evacuate the entire building as required by Southwest emergency response procedures when gas concentrations of 40% LEL or greater are detected at the foundation/building wall.
- Southwest personnel failed to initiate a continuing investigation until the safety of all persons and property was established as required by Southwest's emergency plan.
- Southwest failed to conduct an interior investigation of the adjacent suites and failed to request the assistance of the local fire department or to notify them of a potentially hazardous situation involving the release of natural gas.
- Southwest personnel failed to follow Southwest's procedures and the Arizona Administrative Code that both require notification be made to the Safety Division, Pipeline Safety Section immediately upon discovery of an ignition and fire.

13. Southwest responded in writing to the Safety Division, Pipeline Safety Section on February 12, 2008. Although Southwest acknowledged that it had failed to timely notify Commission Staff, Southwest's response disputed Staff's other non-compliance items and asserted a different interpretation and opinion of its existing policies and procedures regarding evacuations of buildings and for performing interior leak investigations as part of the assessment of required evacuation. However, Southwest also indicated that some improvements could be made on its part and also expressed willingness to work cooperatively with Pipeline Safety Staff to identify the means and methods to do so.

14. Southwest and Commission Staff met again on March 17, 2008, and have participated in multiple subsequent teleconferences, to discuss this issue and determine a mutually beneficial way to settle the issue in a cooperative manner.

Staff Conclusions

While Southwest and the Pipeline Safety Section Staff disagree as to whether Southwest's failure to conduct an interior leak investigation to determine the extent of an evacuation was a violation of applicable pipeline safety emergency-response regulations, both parties are in agreement that training and revisions to Southwest's operations manual can improve Southwest employee conduct for future similar incidents. Specifically, and in order to resolve all issues associated with the incident including the incident response, Southwest has proposed that it will:

1. Perform training to mandate interior inspections of occupied premises that share a common wall with premises that have been evacuated or secured.
2. Perform training to require that police and/or fire departments be consulted in determining the extent of an evacuation whenever gas readings at the foundation of a commercial building comprised of multiple suites are at levels that preclude Southwest personnel from entering the structure to take interior gas readings.
3. Perform additional training reinforcing the importance of the Arizona Corporation Commission notification requirements.
4. Perform a comprehensive review of its operations manual to ensure consistency with the above-stated policies.

In addition, Southwest has proposed to remit a voluntary civil penalty in the amount of \$85,000, payable to the State of Arizona and to be deposited into the state general fund. In doing so, Southwest would not be permitted to recover from its customers the payment of the civil penalty, the costs related to the Commission proceeding regarding this incident, nor the cost(s) related to the initial development and implementation of training and modifications to its operations manual. However, this would not preclude Southwest from recovering future costs following the initial development and implementation of the training and modifications to its operations manual. Staff believes that this penalty is fair and just under the circumstances described in this Staff Report.

The Pipeline Safety Section and Southwest note that both parties have reaffirmed their commitment and belief that a cooperative approach to pipeline safety enforcement will achieve the twin goals of 1) promoting public safety, health and welfare, and 2) avoiding litigation, which unnecessarily diverts the resources of Southwest and the Pipeline Safety Section. Staff believes the resolution proposed in this letter allows the parties to go forward in compliance with the spirit and letter of Decision 66166, and is in the best interest of the public and all parties involved.

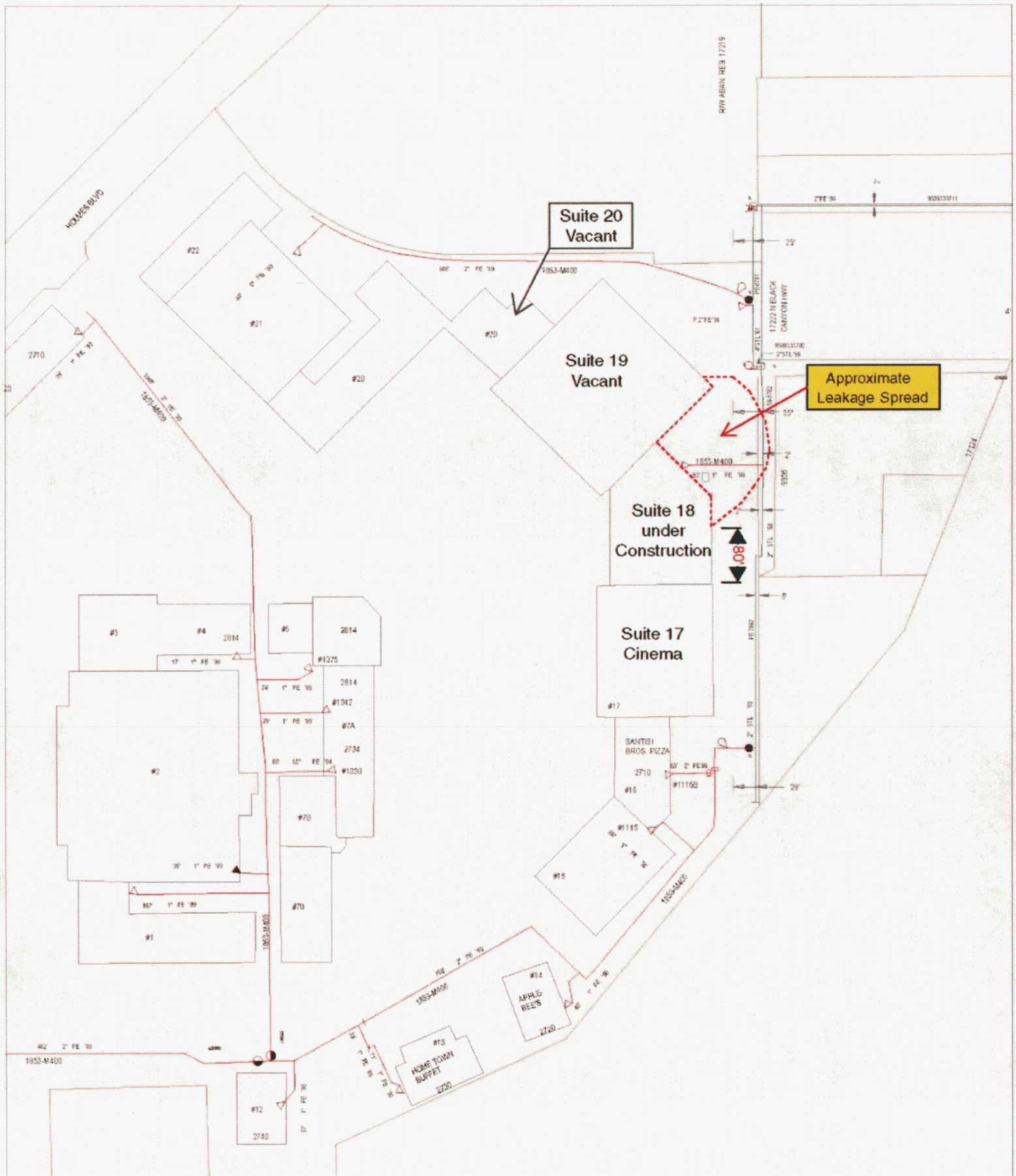


David Raber
Director
Safety Division



Robert Miller
Pipeline Safety Supervisor
Safety Division

Attachment 1



Southwest Gas WMS
01/31/08 17:26

TITLE: 2710 W. Bell Road
DRAWN BY: gdd1

SCALE
1 IN = 152 FT

